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July 24, 2006

VIA ELECTRONIC FILING AND OVERNIGHT DELIVERY

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-36

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), are Bay State's responses to the following Information Requests:

AG 2-4      AG 2-5      AG 2-6      AG 2-7      AG 2-9  
AG 2-11      AG 2-12

Please do not hesitate to contact me if you have any questions.

Very truly yours,

Patricia M. French

cc: Julie Howley Westwater, Esq., Hearing Officer  
Jamie M. Tosches, Esq., Office of the Attorney General  
Service List (Electronic Service per the Ground Rules)

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE  
SECOND SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL  
D.T.E. 06-36

Date: July 24, 2006

Responsible: Francisco C. DaFonte, Director, Energy Supply Services

AG 2-4: Please refer to Exh. AG-1-17. Under a "voluntary plan" grandfathered customers would volunteer to participate in a Company administered capacity acquisition program and they would pay for the capacity acquired by the Company on their behalf to avoid stringent penalties for under-deliveries or over-deliveries. Please respond to the original question.

RESPONSE: The "voluntary plan" outlined above is limited to the economic risks faced by grandfathered customers. Bay State did not consider such a plan because it fails to address the operational risks that firm sales and non-grandfathered transportation customers face due to the potential that grandfathered customers under-deliver. The Department specifically noted in D.T.E. 02-75A that:

"Although the Company's Terms and Conditions provide for financial penalties against the unauthorized taking of gas, they do not address the operational issue of a potential loss of system pressure that could be caused by such actions."

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AG 2-5: Please refer to the response to Exh. AG-1-9 and Exh. DTE-1-22. If the Company obtains Department approval of its proposal to address grandfathered overtakes, would it acquire transmission capacity under its existing long-range forecast approved in *Bay State Gas Company*, D.T.E. 02-75 (2002) or under the forecast it anticipates filing in October 2006? Please explain.

RESPONSE: Bay State is requesting that the Department approve an incremental resource planning standard equal to 30% of the design day requirements of its grandfathered firm transportation customers. Upon approval of the Company's proposal, the design planning standard would be reflected in the Company's resource acquisition plans and Bay State would procure transmission capacity as soon as practical thereafter, if necessary. The Company anticipates reflecting the 30% planning standard in its upcoming long-range forecast and supply plan filing with the Department.

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AG 2-6: Please identify whether the Company has engaged in any negotiations regarding acquisition of transmission capacity to address the grandfathered customers.

RESPONSE: The Company has not engaged in negotiations to acquire capacity that would address the incremental planning standard.

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AG 2-7: Please refer to the response to Exh. AG-1-9. Give a detailed account of the analysis that led the Company to decide to acquire transportation capacity for satisfaction of the total system requirements instead of a per customer basis.

RESPONSE: In its most recently approved Forecast and Supply Plan (D.T.E. 02-75), the Company provides the basis for its integrated resource planning process. This process has been the same since the early 1990's and has met with the Department's approval in each of the Company's Forecast and Supply Plan filings since that time. As part of its planning process the Company utilizes the SENDOUT® portfolio optimization and simulation model, which selects and integrates resources from various sources, in varying types and amounts, and under various terms - contractual lengths and utilization parameters, in order to best meets its firm demand profile.

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AG 2-9: Please refer to the response to Exh. AG-1-19. Please provide a complete, detailed, and accurate explanation of the phrase "integration of all the [Company's] resources."

RESPONSE: "Integration of all the [Company's] resources" is defined as pooling all available resources in order to more efficiently match the load profiles of its customers. For example, hypothetically, if the Company were to plan for each customer individually it may end up with different resources for a high load factor customer versus a low load factor customer, but it may also end up with some similar resources. By integrating the resources, the planner may be able to satisfy the requirements of customers with inverse load profiles using the same resource and in that way eliminate the cost of a redundant resource. In any event, under that scenario, the planner would be no worse off through integration than through separate planning.

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AG 2-11: Please refer to the response to Exh. AG-1-19. Please provide a detailed account of the analysis that led the Company to decide to conclude that the integration of "all its resources to meet all its requirements . . . allows for the most effective means of planning for and procuring its resources."

RESPONSE: Please see Bay State's responses to AG 2-7 and AG 2-9.

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AG 2-12: Please refer to the response to Exh. AG-1-19. If the Department were to require the Company to implement a standalone program, what problems and issues does the Company anticipate that it might encounter? What problems and issues does the Company anticipate that its customers might encounter?

RESPONSE: The issues with a stand-alone program are related to inefficiency and higher costs to all customers, particularly the grandfathered customers. The Company and its customers would incur greater resource and administrative costs, while losing the diversification and flexibility afforded with one portfolio, by essentially operating two distinct portfolios, one being significantly smaller in size than the other and having less mitigation value in the marketplace due to its smaller size.

Please also see Bay State's responses to AG 2-7 and AG 2-9.